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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Telecommunications Division
Public Programs Branch

RESOLUTION T-16897
January 13, 2005

RESOLUTION

Resolution T-16897. Citizens Telecommunications Company of California) (U-1024-C). Request to (1) implement a permanent California High Cost Fund-B (CHCF-B) surcredit; and (2) true up of temporary catch-up CHCF-B surcredit in compliance with Decision 98-09-039.

By Advice Letter No. 722, filed October 24, 2001, and Supplement A, filed April 13, 2004.

By Advice Letter No. 732, filed November 29, 2001, and Supplements A, B, and C, filed December 10, 2001, August 1, 2002, and April 13, 2004, respectively.

Summary

On October 24, 2001, Citizens Telecommunications Company of California (Citizens) filed Advice Letter (AL) No. 722 to make its provisional California High Cost Fund-B (CHCF-B) surcredit rate permanent. This resolution approves Citizens' AL No. 722 to implement a permanent CHCF-B surcredit rate of 3.63%. The surcredit rate will apply permanently on all intrastate billings, except residential basic service, contract services, and coin-sent paid calls.

In addition to the permanent CHCF-B surcredit, Citizens will apply a 2.95% surcredit rate (which includes a net offset of the over refunded amount to customers as indicated in AL No. 732) for one year to true up the provisional CHCF-B permanent surcredit on all intrastate billings, except residential basic service, contract services, and coin-sent paid calls. Thus, Citizens will implement a total surcredit rate of 6.58%¹ for one year, commencing on the first day of the month following the resolution effective date, and ending on the last day of the twelve-month period. Subsequently, the 3.63% permanent

¹ Permanent surcredit rate of 3.63% + additional surcredit rate as a result of the provisional permanent surcredit true up of 2.95% = 6.58% total surcredit rate.

CHCF-B surcredit rate will continue to apply on all intrastate billings, except residential basic service, contract services, and coin-sent paid calls on the first day of the month after the twelve-month implementation period of the 6.58% total CHCF-B surcredit rate.

Finally, on November 30, 2001, Citizens filed AL No. 732 to true up its temporary CHCF-B catch-up surcredit for the period July through September 2001. In AL No. 732, Citizens proposes to apply a surcharge on customers' billings to recover an over payment to customers during the three-month temporary catch-up period. However, since the over refunded amount of \$80,181 (interest included) has already been addressed as a net offset in the true up of the provisional permanent surcredit, there will be no surcharge implementation. Therefore, Citizens is required to file a supplement to AL No. 732 to indicate that the one-month CHCF-B surcharge will not be implemented as the over payment to customers during the three-month temporary catch-up period has already been addressed as a net offset in the true up of the provisional permanent surcredit calculation.

Background

Decision (D.) 96-10-066

In D.96-10-066, the Commission established the CHCF-B program to provide a universal service subsidy to Citizens and the other incumbent local exchange carriers (ILECs)² for providing basic local telephone service to residential customers in high-cost areas at affordable rates. The purpose of the CHCF-B program is to replace the implicit subsidies used to support universal service with an explicit funding mechanism. The CHCF-B is funded through a surcharge on end-users of telecommunications services. The CHCF-B surcharge has been in place since February 1, 1997.

To avoid double recovery of universal service support, Citizens and the other ILECs are required to reduce all of their rates, except for residential basic service, contracts, and coin-sent paid calls, by an equal percentage reduction (through a monthly surcredit to the customer's bill), in an amount that equals their anticipated monthly CHCF-B draws. Residential basic exchange service is excluded from the rate reduction because the CHCF-B supports this service in high cost areas. In addition, D.96-10-066, page 208, states: "If we were to reduce rates for basic service as well, this would widen, rather than narrow, the gap between residential rates and their costs."

D.98-09-039

² The other ILECs are SBC (formerly Pacific Bell), Verizon California Inc. (formerly the merged GTE California Inc. and Contel Telephone Company), and Surewest Telephone Company (formerly Roseville Telephone Company).

In September 1998, the Commission issued D.98-09-039 implementing the CHCF-B program established by D.96-10-066. Specifically, the decision authorized Citizens and the other ILECs to commence their monthly draws from their accumulated CHCF-B surcharge revenues (CHCF-B draws) commencing December 15, 1998. To offset the CHCF-B draws, the Commission, in Ordering Paragraph (OP) No. 1 of D.98-09-039, ordered Citizens and the other ILECs³ to file an AL to implement a permanent surcredit (by an equal percentage of their CHCF-B draws) beginning on December 1, 1998, based on the average of the company's approved monthly claims submitted to the CHCF-B fund for the twelve-month period ending July 31, 1998. The surcredit was temporary and was subject to revision by the Commission through subsequent resolutions utilizing the process set forth in OP No. 3 of D.98-09-039. That process requires the CHCF-B Administrative Committee (AC)⁴ to review and to approve Citizens' CHCF-B claims for the twelve-month period ending July 31, 1998, and if material issues arise from that review, the surcredit would be implemented on a provisional basis beginning December 1, 1998, and adjusted at a later date, if necessary. Finally, OP No. 20 of D.98-09-039 ordered Citizens and the other ILECs to file an AL to implement a temporary CHCF-B catch-up surcredit over three calendar months in accordance with the instructions issued by the Director of the Telecommunications Division (TD).

Resolution T-16239

In compliance with OP No. 1 of D. 98-09-039, Citizens filed AL No. 632 to apply a surcredit on intrastate billings to customers beginning December 1, 1998. The Commission, in Resolution T-16239, dated November 19, 1998, approved, on a provisional basis, Citizens' CHCF-B surcredit rate of 3.07%, which was based on an estimated amount of Citizen's CHCF-B claims from August 1997 through July 1998. The 3.07% provisional permanent surcredit (approximately \$1.241 million) reduces all intrastate rates, except for residential basic service, contracts, and coin-sent paid calls. This provisional surcredit was subject to CHCF-B AC review and approval, pursuant to OP No. 3 of D.98-09-039.

Citizens' CHCF-B approved claims by the CHCF-B AC for the twelve-month period ending July 31, 2001 amounted to \$1,475,781.31 (or \$122,981.78 per month). As a result, the Director of the TD, by letter dated October 4, 2001, directed Citizens to file an AL no later than October 30, 2001 to reflect a true up of the provisional permanent rate reduction that was approved by Resolution T-16239, OP No. 1. In response, on October

³ Only SBC implemented permanent rate reductions as a result of D.98-07-033, which allows the company to true up its rate reduction with its approved fund draws from the CHCF-B program.

⁴ The CHCF-B AC (formerly CHCF-B Trust AC) was previously responsible for reviewing and approving CHCF-B claims by telecommunications carriers, but this function has been transferred to the Commission effective October 1, 2001, pursuant to D.01-09-064, dated September 20, 2001, in response to Legislative mandates (SB 669 and SB 742) to transfer surcharge revenues that fund the public purpose programs associated with the advisory board into the State Treasury. The CHCF-B AC currently acts as an advisory board to advise the Commission regarding the development, implementation and administration of the program, pursuant to PU Code Section 276(a).

24, 2001, Citizens filed AL No. 722 to true up the provisional surcredit rate of 3.07% to a new permanent surcredit of 3.66%. However, the 3.66% surcredit rate was later reduced to 2.58% in AL No. 722A, filed April 13, 2004, as a result of the updated (projected June 2004) billing base.

Resolution T-16532

In Resolution T-16532, dated June 14, 2001, the Commission approved Citizens' temporary three-month CHCF-B catch-up surcredit rate of 20.20% to offset the company's approved claims of \$2.280 million for the period February 1997 through August 1998. The catch-up surcredit rate of 20.20% applied to all intrastate services, except residential basic service, contracts, and coin-sent paid calls, and became effective for the period July 1, 2001 through September 30, 2001, and was in addition to the 3.07% provisional permanent surcredit rate relating to the CHCF-B claims. Among other things, Resolution T-16532 further ordered Citizens to do the following:

OP No. 4: Citizens shall track the catch-up surcredit rate reduction by establishing a memorandum account, entitled "Accounts Payable End-User Catch-Up Claim/Surcredit";

OP No. 5: Citizens shall file an AL within 60 days from the end of the catch-up period, no later than November 29, 2001, to true up the catch-up surcredit; and

OP No. 6: Citizens shall include interest, based upon the average seven-day compound yield on taxable money market funds published in the Wall Street Journal, starting on the first day from the end of the catch-up period, or October 1, 2001, to the day of the start of the actual true up, if any;⁵

Pursuant to OP Nos. 4 and 5 of Resolution T-16532, Citizens tracked its temporary surcredit for three months through a memorandum account, and filed AL No. 732 on November 29, 2001 to true up the CHCF-B catch-up surcredit. However, AL No. 732 was further supplemented by AL Nos. 732A, 732B, and 732C, filed December 10, 2001, August 1, 2002, and April 13, 2004, respectively. In AL No. 732, Citizens requested to apply a 2.6% one-month surcharge to recover an over payment to customers amounting to \$98,177 (including interest in accordance with OP No. 6 of Resolution T-16532). In AL No. 732A, Citizens included their Access Tariff which was inadvertently left out when it filed AL No. 732. In AL No. 732B, Citizens adjusted its calculation for the true up from 2.6% to 2.12% surcharge rate. Finally, in AL No. 732C, Citizens updated its one-month surcharge rate to 1.51% based on the projected billing base for July 2004 and an adjusted over payment of \$89,663 (per audit report), plus interest, pursuant to OP No. 6 of Resolution T-16532.

⁵ OP No. 6 of Resolution T-16239 was adopted from OP No. 25 of D.98-09-039.

D.02-04-059

In D.02-04-059, issued April 22, 2002, the Commission adopted the three-month commercial paper rate issued by financial institutions (available at the Federal Reserve Board website) as the uniform interest rate applicable to late payment of reimbursement and carrier claims, beginning with payments processed in the first payment cycle (which is May 1, 2002) after the effective date of the decision.

Public Utilities (PU) Code Section 274

Public Utilities Code Section 274 requires the Commission to conduct a compliance audit of program-related costs, including CHCF-B claims. The approval of Citizens claims from February 1997 through December 1999, including the catch-up period from February 1997 through September 1998, by the CHCF-B AC was subject to this audit requirement. If an audit determines that Citizens' claims should be lower than the catch-up amount of \$2.280 million, Citizens may be required by the CHCF-B AC to return the difference with interest to the CHCF-B fund. If, however, the audit reveals that Citizens' claims from the CHCF-B fund should be higher than the catch-up amount of \$2.280 million, Citizens cannot seek recovery from the ratepayers or the CHCF-B fund for the difference.

In compliance with PU Code Section 274, the Commission contracted with an auditing firm to audit Citizens' CHCF-B claims for the period February 1, 1997 through December 31, 2000, which included the catch-up period February 1997 through September 1998.

Notice/Protest

The notice of Citizens' AL No. 722 and its supplement A, were published in the Commission Daily Calendars of October 29, 2001 and April 19, 2004, and AL No. 732 and its supplements A, B, and C, were published in the Commission Daily Calendars of December 7, 2001, December 14, 2001, August 5, 2002, and April 19, 2004, respectively. Citizens indicated that they mailed a copy of the ALs to adjacent utilities and/or interested parties as requested. No protests have been received.

Discussion

Audit

In compliance with PU Code Section 274, the CHCF-B AC, on August 20, 2001, issued an Invitation to Bid (IFB) on an audit to verify whether the CHCF-B claims submitted by Citizens are in compliance with the Commission's decision for the period February

1, 1997 through December 31, 2000. In November 2001, an auditing firm was retained to perform the audit and the final report was submitted to the Commission in November 2002.

Among other things, the auditor's examination of the CHCF-B claims covering the period from February 1997 through December 2000, and including the catch-up period from February 1997 through September 1998, revealed that Citizens over claimed approximately \$13,205⁶ from the CHCF-B fund during the catch-up period from February 1997 through September 1998.

Interest

The rate of interest based on the average seven-day compound yield on taxable money market funds published in the Wall Street Journal each Thursday provided in OP No. 6 of Resolution T-16532 and OP No. 25 of D.98-09-039 was revised in D.02-04-059, issued April 22, 2002. In OP No. 7 of D.02-04-059, the Commission adopted the three-month commercial paper rate issued by financial institutions (available at Federal Reserve Board website) as the uniform interest rate applicable to late payment of reimbursement and carrier claims, beginning with payments processed in the first payment cycle (which is May 1, 2002) after the effective date of the decision.

Citizens' Request To Make its Provisional Surcredit Permanent

In compliance with Resolution T-16239, OP No. 1, Citizens filed AL 722 and its supplements requesting to true up its CHCF-B provisional surcredit and implement a permanent surcredit rate of 2.58% based on the company's projected June 2004 billing base and the approved CHCF-B claims for the twelve-month period ending July 1998, amounting to \$1,475,718.31.

The TD believes that the more appropriate billing base for permanent CHCF-B surcredit calculation should be the net billing base for the twelve-month period ending July 1998 (months for which the CHCF-B draw was made), pursuant to D.98-09-039. Thus, utilizing the net billing base for the twelve-month period ending July 1998 and Citizens' approved CHCF-B claim amount of \$1,475,718.31 (rounded to \$1.476 million) during the twelve-month period ending July 1998, adjusted by \$8,340⁷, the TD has calculated the permanent surcredit rate to be 3.63%. Therefore, the TD recommends that Citizens should implement a permanent surcredit rate of 3.63%.

⁶ The audit revealed that Citizens over claimed from the CHCF-B fund, totaling \$13,205 (or \$695 per month) during the 19-month audit period from 2/97 through 8/98 due to inclusion of lines with identical names and addresses, amounting to \$1,534, and incorrect Federal offset amounts, amounting to \$11,671.

⁷ Of the over claimed CHCF-B amount of \$13,205 from the CHCF-B fund by Citizens during the audit period 2/97 through 8/98, \$8,340 (\$695 per month x 12 months) of which relate to the period from 8/97 to 7/98 (basis period for provisional surcredit).

True up of Provisional Permanent Surcredit

OP No. 3 of D.98-09-039 provides, in part, that if material issues arise from the CHCF-B AC's review of the CHCF-B claims, Citizens and the other ILECs' permanent surcredits shall be implemented on a provisional basis beginning December 1, 1998, and adjusted at a later date, if necessary, upon the resolution of these issues.

Citizens partially complied with OP No. 3 of D.98-09-039 by implementing a CHCF-B provisional permanent surcredit of 3.07% based on the company's estimated CHCF-B claims for the twelve-month period ending July 31, 1998 (Resolution T-16239), and then filing AL No. 722 (addressed in this resolution) to make its provisional surcredit permanent based on its CHCF-B claims approved by the CHCF-B AC for the period ending July 1998. However, in order to fully comply with OP No. 3 of D.98-09-039, it is critical that the material issues that arise from Citizens' implementation of the provisional permanent surcredit should be addressed in this resolution.

Citizens' CHCF-B provisional permanent surcredit was based on estimated CHCF-B claims that are less than the approved CHCF-B claims by CHCF-B AC during the twelve-month period ending July 1998. Consequently, Citizens' customers have been receiving a lesser CHCF-B provisional permanent surcredit than the actual surcredit amount since its implementation date of December 1, 1998. Hence, to resolve this material issue, TD recommends that Citizens should true up its provisional permanent surcredit by refunding the difference (through a surcredit) between the estimated and approved CHCF-B claims during the twelve-month period ending July 1998. In addition, given that Citizens has been retaining the difference since the provisional permanent surcredit implementation date of December 1, 1998 (which should have otherwise accrued interest in a financial institution), it is appropriate that the basis of additional surcredit should be the difference, plus interest from December 1, 1998 through the implementation date of the permanent surcredit. This additional CHCF-B surcredit should apply on all intrastate billings, except residential basic service, contract services, and coin-sent paid calls, for one year.

The calculation of the surcredit to true up the CHCF-B provisional permanent surcredit is discussed under the "Surcredit Determination of True up of Provisional Permanent Surcredit" section of this resolution.

True up of Three-Month Temporary Catch-Up Surcredit

In compliance with Resolution T-16532, OP No. 5, Citizens filed AL No. 732 and its supplements, requesting to true up its three-month temporary catch-up surcredit relating to CHCF-B to recover the over payment to its customers, amounting to \$89,663, plus interest. Further, Citizens proposes to implement a one-month CHCF-B surcharge

of 1.51% based on its projected July 2004 billing base to recover such over payment. Nonetheless, with the \$13,205 adjustment per audit report, TD has calculated the over payment to customers to be \$76,458, plus interest, totaling \$80,181.

However, in lieu of a CHCF-B surcharge application to true up the three-month temporary catch-up surcredit during the period July 2001 through September 2001, TD believes that it is more appropriate that an adjustment amounting to \$80,181 (over payment to customers) be made on the true up of provisional permanent surcredit to reduce the surcredit for one year.

Therefore, TD recommends that Citizens file a supplement to AL No. 732 to indicate that the one-month CHCF-B surcharge will not be implemented as the over payment to customers during the three-month temporary catch-up period has been addressed as a net offset on the true up of provisional permanent surcredit.

Surcredit Determination of True up of Provisional Permanent Surcredit

To determine the CHCF-B surcredit for twelve months to true up the provisional permanent surcredit, the difference between Citizens' estimated CHCF-B claims (\$1.241 Million) and approved CHCF-B claims (\$1.476 Million) by the CHCF-B AC for the period ending July 1998, was converted to a monthly amount, then multiplied by 74 months⁸, plus interest⁹. The resulting amount of \$1,716,029 was then adjusted by the over payment to customers (\$80,181) during the three-month temporary surcredit catch-up period (July through September 2001). The net difference and the projected net billing base for the twelve-month period ending December 2004 were then utilized to calculate the true up of provisional permanent surcredit rate of 2.95%. Thus, TD recommends that Citizens should apply the 2.95% CHCF-B surcredit rate for one year, in addition to the permanent CHCF-B surcredit rate of 3.63%, totaling 6.58%.

Application of Surcredit

The permanent CHCF-B surcredit rate of 3.63% and the additional surcredit rate resulting from the true up of provisional permanent surcredit rate of 2.95%, totaling 6.58%, should apply on all intrastate billings, except residential basic service, contract services, and coin-sent paid calls for one year. The 6.58% surcredit should be implemented commencing on the first day of the month following the resolution effective date, and ending on the last day of the twelve-month period. After the twelve-

⁸Total number of months in which the surcredit should have been implemented (December 1, 1998) through the implementation date of this resolution (February 1, 2005).

⁹ Interest was based on the average seven-day compound yield on taxable money market funds published in the Wall Street Journal each Thursday (from December 1, 1998 through April 30, 2002), then on the three-month commercial paper rate issued by financial institutions (available at Federal Reserve Board website) (from May 1, 2002 through February 1, 2005).

month implementation period of 6.58% total surcredit rate, Citizens should continue to apply the permanent surcredit rate of 3.63% on all intrastate billings, except residential basic service, contract services, and coin-sent paid calls.

TD's Recommendations on the Permanent Surcredit and True up of Provisional Permanent Surcredit

With respect to AL No. 722, TD recommends that the Commission order Citizens to do the following: (1) file a supplement to AL No. 722 within five (5) business days from the effective of this resolution, to reflect a permanent CHCF-B surcredit rate of 3.63% and an additional surcredit rate of 2.95% to true up the provisional permanent surcredit, totaling 6.58%, for one year to apply on all intrastate customers' billings, except residential basic service, contract services, and coin-sent paid calls; (2) implement the 6.58% total CHCF-B surcredit rate for one year commencing on the first day of the month following the resolution effective date, and ending on the last day of the twelve-month period; (3) continue to apply the 3.63 % CHCF-B permanent surcredit rate after the twelve-month implementation period of the 6.58% total surcredit; (4) provide to the Director of TD for review and approval, within five (5) business days from the effective date of this resolution, a copy of the customer notice explanation relating to the permanent surcredit and additional surcredit for one year that will be in the free-form section of the customer bill.

TD's Recommendation on True up of Catch-Up Surcredit

With respect to AL No. 732, the TD recommends that the Commission require Citizens to file a supplement within five (5) business days from the effective date of this resolution. The supplement should indicate that the one-month CHCF-B surcharge to recover the over payment to customers during the three-month temporary catch-up period will not be implemented as such over payment has already been addressed as a net offset in the true up of provisional permanent surcredit.

Adoption of TD's Recommendations

In light of the above discussion, the Commission adopts TD's recommendations for the permanent surcredit (3.63%) and additional surcredit (2.95%), and true up of the catch-up surcredit filings in AL Nos. 722 and 732, respectively. The Commission believes that TD's recommendations, as discussed in this resolution, are appropriate and reasonable.

Comments

To be consistent with the Commission's commitment to utilize the Internet for distributing Commission orders and information, and in compliance with PU Code Section 311(g), copies of the Notice of Availability letter of the draft resolution were e-

mailed/mailed on November 2, 2004, to the parties that informed TD of their email address in order to continue to be on the service list of R.95-01-020/I.95-01-021, SBC, Verizon California Inc., SureWest Telephone Company, Cox California Telecom, LLC, AT&T Communications of California, MCImetro Access Transmission Services, LLC, and CHCF-B AC, informing parties that this draft resolution is available for public viewing and comments at the Commission's website at:
<http://www.cpuc.ca.gov/statis/industry/telco/proceedings/resolutions/index.htm>. In addition, the TD informed these parties of the availability of the conformed resolution at the same website.

Comments that are filed timely will be addressed in this resolution.

Findings

1. Citizens Telecommunications Company of California (Citizens) filed Advice Letter (AL) No. 722 and its supplements to true up its CHCF-B provisional surcredit and implement a permanent CHCF-B surcredit rate.
2. Citizens' California High Cost Fund-B (CHCF-B) approved claims by the CHCF-B Administrative Committee (AC) during the twelve-month review period ending July 31, 1998 total \$1,475,781.31.
3. Among other things, an audit of Citizens' CHCF-B claims revealed that Citizens over claimed a total amount of \$13,205 (or \$695 per month) from the CHCF-B fund during the 19-month audit period from February 1997 through August 1998 due to inclusion of lines with identical names and addresses (\$1,534); and incorrect Federal offset amounts (\$11,671).
4. The appropriate billing base for Citizens' permanent CHCF-B surcredit calculation should be the net billing base for the twelve-month period ending July 1998 (months for which the CHCF-B draws were made), pursuant to Decision (D.) 98-09-039.
5. Citizens' approved CHCF-B claim amount of \$1,475,781.31 during the twelve-month period ending July 31, 1998 should be adjusted by the over claimed amount during that period, totaling \$8,340 (\$695 per month of over claimed amount x 12 months), as disclosed in the audit report, when computing the permanent surcredit.
6. The permanent CHCF-B surcredit calculation should be based on the net billing base and Citizens' approved CHCF-B claim amount (\$1,475,781.31) for the twelve-month period ending July 1998 less the over claimed amount of \$8,340 during that period as disclosed in the audit report.
7. Citizens' permanent CHCF-B surcredit rate should be 3.63%.

8. The interest based on the average seven-day compound yield on taxable money market funds published in the Wall Street Journal each Thursday, per OP No. 6 of Resolution T-16532 and OP No. 25 of Decision (D.) 98-9-039, was revised in D.02-04-059, issued April 22, 2002.
9. The Commission, in D.02-04-059, OP No. 7, adopted the three-month commercial paper rate issued by financial institutions (available at Federal Reserve Board website) as the uniform interest rate applicable to late payment of reimbursement and carrier claims, beginning with payments process in the first payment cycle (which is May 1, 2002).
10. Citizens' customers have been receiving a lesser CHCF-B provisional permanent surcredit than the actual surcredit amount since the implementation date of the provisional permanent surcredit rate on December 1, 1998.
11. Citizens should true up its CHCF-B provisional permanent surcredit by refunding the difference (through a surcredit) between the estimated and approved CHCF-B claims during the twelve-month period ending July 1998, plus interest, from December 1, 1998 through the implementation date of the permanent surcredit.
12. Citizens' over refunded amount of \$80,181 (includes interest) as indicated in AL No. 732 was addressed as a net offset in the true up of the provisional permanent surcredit.
13. TD calculated the additional CHCF-B surcredit rate to be 2.95% to true up the provisional permanent surcredit based on the difference between Citizens' estimated CHCF-B claims and approved CHCF-B claim amount for the period ending July 1998, plus interest, less over payment to customers in the amount of \$80,181, and the projected net billing base for the twelve-month period ending December 2004.
14. Within five (5) business days from the effective date of this resolution, Citizens should file a supplement to AL No. 722 to reflect a permanent CHCF-B surcredit rate of 3.63%, and an additional surcredit rate of 2.95%, to true up the provisional permanent surcredit, totaling 6.58% CHCF-B surcredit rate for one year.
15. Citizens should implement a total CHCF-B surcredit rate of 6.58% for one year to apply on all intrastate customers' billings, except residential basic service, contracts, and coin-sent paid calls, commencing on the first day of the month following the resolution effective date, and ending on the last day of the twelve-month period.

16. Citizens should continue to apply the 3.63% permanent CHCF-B surcredit rate after the twelve-month implementation period of the 6.58% CHCF-B total surcredit rate.
17. Within five (5) business days from the effective date of this resolution, Citizens should provide to the Director of the Telecommunications Division for review and approval, a copy of the customer notice explanation relating to the permanent CHCF-B surcredit rate of 3.63% and additional surcredit of 2.95% for one year that will be in the free-form section of the customer bill.
18. Within five (5) business days from the resolution effective date, Citizens should file a supplement to AL No. 732. The supplement should indicate that the one-month CHCF-B surcharge rate will not be implemented because the over payment to customers during the three-month temporary catch-up surcredit period has been addressed as a net offset in the true up of the provisional permanent surcredit.

THEREFORE, IT IS ORDERED that:

1. Within five (5) business days from the effective date of this resolution, Citizens Telecommunications Company of California (Citizens) shall file a supplement to Advice Letter (AL) No. 722 to reflect a permanent CHCF-B surcredit rate of 3.63% and an additional surcredit rate of 2.95%, totaling 6.58%, for one year, to apply on all intrastate customers' billings, except residential basic service, contract services, and coin-sent paid calls.
2. Citizens shall implement the total CHCF-B surcredit rate of 6.58% for one year commencing on the first day of the month following the resolution effective date, and ending on the last day of the twelve-month period.
3. Citizens shall continue to apply the 3.63% permanent CHCF-B surcredit rate after the twelve-month period implementation of the 6.58% total CHCF-B surcredit rate.
4. Within five (5) business days from the effective date of this resolution, Citizens shall provide to the Director of the Telecommunications Division for review and approval, a copy of the customer notice explanation relating to the CHCF-B permanent surcredit and additional surcredit for one year that will be in the free-form section of the customer bill.
5. Within five (5) business days from the effective date of this resolution, Citizens shall file a supplement to AL No. 732. The supplement shall indicate that the one-month CHCF-B surcharge will not be implemented as the over payment to customers has been addressed as a net offset in the true up of the provisional permanent surcredit.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 13, 2005. The following Commissioners approved it:

STEVE LARSON
Executive Director